July 2023

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Investing for a
world of change

Busting common investing myths

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We invite you to explore our Women and Investing hub, which we hope will empower you to take ownership of your financial future.

Saving is an essential habit that provides a safety net for short-term goals and emergencies. It helps us build a foundation of financial security. However, embracing the power of investing is crucial to unlock the growth potential and maximise your wealth.

Investing is a strategic approach that allows your money to work harder for you over time. It goes beyond simply setting funds aside and offers a range of benefits tailored to your different life stages.

We explore some of the common investing myths:

Myth 1: I have too little to invest

Focus: Early career and building wealth

One of the most common misconceptions is that you need substantial money to start investing. The truth is even small amounts can make a significant impact over time. By starting early and consistently investing a portion of your income, you can benefit from the power of compounding. Every rand you invest has the potential to grow and compound, setting a solid foundation for your financial future. For young professionals starting their careers and building wealth, day one in your job should be the day you start your investment journey. As you embark on your professional journey, investing early sets the stage for future financial success. Remember, the first investment priority for any investor remains their contribution to some registered retirement fund (via their employer or a retirement annuity). A good rule of thumb is to provide an adequate contribution to your retirement fund before any other form of investment.

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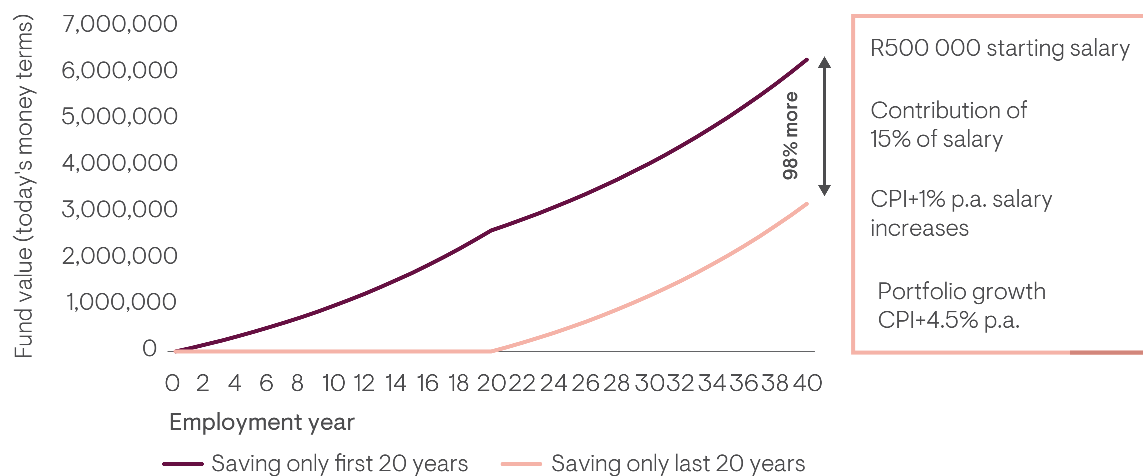
The table below demonstrates the advantages of investing in a retirement annuity at an early stage.

15% of pre-tax salary	X	40 years of employment	=	20x salary required at age 65
60% of pre-tax salary	X	20 years of employment	=	20x salary required at age 65

Figure 1: It pays to start saving early
Comparing saving in your first 20 years of employment vs the last 20 years



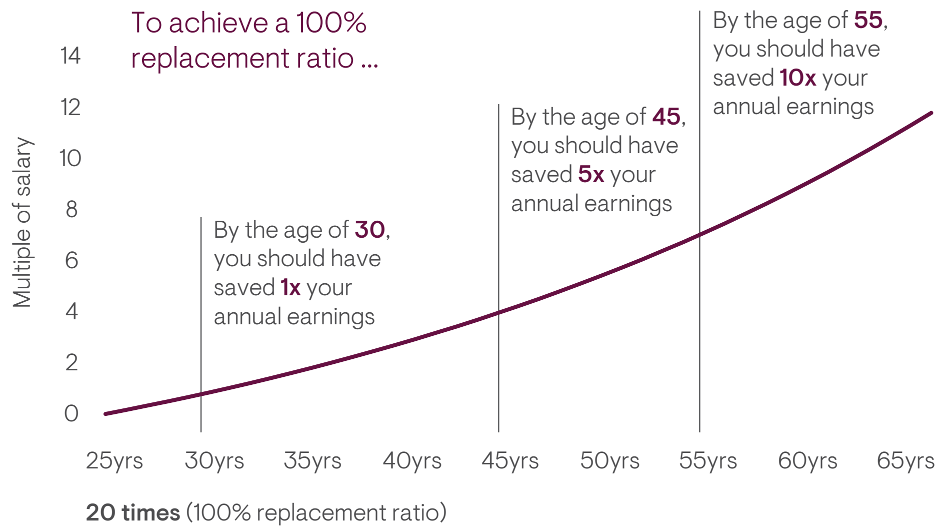
Source: Ninety One.

Myth 2: It's too late to invest

Focus: Mid-life stability and retirement planning

Another prevalent myth is that it's too late to make a difference if you haven't started investing early. This couldn't be further from the truth. While it's true that starting early provides more time for your investments to grow, investing during midlife and assessing your priorities and goals can still yield substantial results. By evaluating your financial objectives and risk tolerance with a financial advisor, you can create a tailored investment plan that aligns with your needs and time horizon. During the mid-life stage, investing becomes critical for securing long-term financial stability. By carefully allocating your assets across different investment vehicles, with the guidance of a financial advisor, you can work towards creating a retirement nest egg that ensures a comfortable future. While knowing how much is enough is critical, so too is knowing where you are on the path to this lump sum. Arriving at a sufficient retirement pot is a journey that takes a whole working lifetime, and while starting early is preferred, remember it is never too late to start. Investing in Tax-free savings accounts can also help you optimise your savings while reducing tax liabilities. However, setting them up correctly as long-term investments is important to maximise your lifetime tax benefit. For those juggling career and family obligations, investing becomes a strategic tool for securing financial stability and planning for the future.

Figure 2: How much do you need to save
Milestones along the way



Source: Ninety One.

Myth 3: It's too risky

Focus: Pre-retirement and preservation

As you approach retirement, the myth that investing becomes too risky often surfaces. While it's true that preserving wealth becomes a priority, it's essential to strike a balance between growth and stability. Diversifying your investment portfolio can help manage risk and protect your wealth while allowing for potential growth. By working with a financial advisor who understands your goals, you can create a comprehensive plan that safeguards your assets while maintaining the potential for long-term returns. As retirement approaches, the focus shifts towards preserving your wealth and maintaining your lifestyle. Working with a financial advisor who can guide you to balance growth and stability and follow the golden rules for planning and saving for retirement can remove some of the angst you may experience about investing during this life stage. As you enter a phase of greater independence, investing becomes even more vital to create a solid foundation for the life you envision.

Myth 4: I can’t take investment risk during retirement

Focus: Post-retirement and income generation

A common misconception during the post-retirement phase is that your investment portfolio shouldn’t have exposure to growth assets like equities. However, your income after retirement needs to keep pace with inflation. Generating investment returns ahead of inflation is, therefore, crucial for the sustainability of income in retirement. Investing shouldn’t end at retirement.

Investing is not reserved for specific life stages or limited by your money. Whether starting early in your career, planning for retirement, or already enjoying your post-retirement years, investing offers opportunities for growth, financial security, and pursuing your dreams. Remember, investing is a journey; the earlier you start, the more time your investments have to grow. Seek advice from financial experts, assess your risk tolerance, and create a personalised investment strategy that suits your unique circumstances. By dispelling these investment myths and seeking professional guidance, you can harness the power of investing to achieve your financial goals at any stage of life.

> **Don't have an advisor yet?**
> Visit our website to locate a professional, accredited financial advisor near you. We have a set of appropriately qualified and licensed advisors from across the country who can help you make informed investment decisions.

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